

1 AN ACT concerning taxes.

2 Be it enacted by the People of the State of Illinois,  
3 represented in the General Assembly:

4 Section 5. The Illinois Income Tax Act is amended by  
5 changing Section 203 as follows:

6 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

7 Sec. 203. Base income defined.

8 (a) Individuals.

9 (1) In general. In the case of an individual, base  
10 income means an amount equal to the taxpayer's adjusted  
11 gross income for the taxable year as modified by  
12 paragraph (2).

13 (2) Modifications. The adjusted gross income  
14 referred to in paragraph (1) shall be modified by adding  
15 thereto the sum of the following amounts:

16 (A) An amount equal to all amounts paid or  
17 accrued to the taxpayer as interest or dividends  
18 during the taxable year to the extent excluded from  
19 gross income in the computation of adjusted gross  
20 income, except stock dividends of qualified public  
21 utilities described in Section 305(e) of the  
22 Internal Revenue Code;

23 (B) An amount equal to the amount of tax  
24 imposed by this Act to the extent deducted from  
25 gross income in the computation of adjusted gross  
26 income for the taxable year;

27 (C) An amount equal to the amount received  
28 during the taxable year as a recovery or refund of  
29 real property taxes paid with respect to the  
30 taxpayer's principal residence under the Revenue Act  
31 of 1939 and for which a deduction was previously

1 taken under subparagraph (L) of this paragraph (2)  
2 prior to July 1, 1991, the retrospective application  
3 date of Article 4 of Public Act 87-17. In the case  
4 of multi-unit or multi-use structures and farm  
5 dwellings, the taxes on the taxpayer's principal  
6 residence shall be that portion of the total taxes  
7 for the entire property which is attributable to  
8 such principal residence;

9 (D) An amount equal to the amount of the  
10 capital gain deduction allowable under the Internal  
11 Revenue Code, to the extent deducted from gross  
12 income in the computation of adjusted gross income;

13 (D-5) An amount, to the extent not included in  
14 adjusted gross income, equal to the amount of money  
15 withdrawn by the taxpayer in the taxable year from a  
16 medical care savings account and the interest earned  
17 on the account in the taxable year of a withdrawal  
18 pursuant to subsection (b) of Section 20 of the  
19 Medical Care Savings Account Act or subsection (b)  
20 of Section 20 of the Medical Care Savings Account  
21 Act of 2000;

22 (D-10) For taxable years ending after December  
23 31, 1997, an amount equal to any eligible  
24 remediation costs that the individual deducted in  
25 computing adjusted gross income and for which the  
26 individual claims a credit under subsection (l) of  
27 Section 201;

28 (D-15) For taxable years 2001 and thereafter,  
29 an amount equal to the bonus depreciation deduction  
30 (30% of the adjusted basis of the qualified  
31 property) taken on the taxpayer's federal income tax  
32 return for the taxable year under subsection (k) of  
33 Section 168 of the Internal Revenue Code; and

34 (D-16) If the taxpayer reports a capital gain

1 or loss on the taxpayer's federal income tax return  
 2 for the taxable year based on a sale or transfer of  
 3 property for which the taxpayer was required in any  
 4 taxable year to make an addition modification under  
 5 subparagraph (D-15), then an amount equal to the  
 6 aggregate amount of the deductions taken in all  
 7 taxable years under subparagraph (Z) with respect to  
 8 that property.†

9 The taxpayer is required to make the addition  
 10 modification under this subparagraph only once with  
 11 respect to any one piece of property;† and

12 (D-20) ~~(D-15)~~ For taxable years beginning on  
 13 or after January 1, 2002, in the case of a  
 14 distribution from a qualified tuition program under  
 15 Section 529 of the Internal Revenue Code, other than  
 16 (i) a distribution from a College Savings Pool  
 17 created under Section 16.5 of the State Treasurer  
 18 Act or (ii) a distribution from the Illinois Prepaid  
 19 Tuition Trust Fund, an amount equal to the amount  
 20 excluded from gross income under Section  
 21 529(c)(3)(B);

22 and by deducting from the total so obtained the sum of  
 23 the following amounts:

24 (E) For taxable years ending before December  
 25 31, 2001, any amount included in such total in  
 26 respect of any compensation (including but not  
 27 limited to any compensation paid or accrued to a  
 28 serviceman while a prisoner of war or missing in  
 29 action) paid to a resident by reason of being on  
 30 active duty in the Armed Forces of the United States  
 31 and in respect of any compensation paid or accrued  
 32 to a resident who as a governmental employee was a  
 33 prisoner of war or missing in action, and in respect  
 34 of any compensation paid to a resident in 1971 or

1 thereafter for annual training performed pursuant to  
2 Sections 502 and 503, Title 32, United States Code  
3 as a member of the Illinois National Guard. For  
4 taxable years ending on or after December 31, 2001,  
5 any amount included in such total in respect of any  
6 compensation (including but not limited to any  
7 compensation paid or accrued to a serviceman while a  
8 prisoner of war or missing in action) paid to a  
9 resident by reason of being a member of any  
10 component of the Armed Forces of the United States  
11 and in respect of any compensation paid or accrued  
12 to a resident who as a governmental employee was a  
13 prisoner of war or missing in action, and in respect  
14 of any compensation paid to a resident in 2001 or  
15 thereafter by reason of being a member of the  
16 Illinois National Guard. The provisions of this  
17 amendatory Act of the 92nd General Assembly are  
18 exempt from the provisions of Section 250;

19 (F) An amount equal to all amounts included in  
20 such total pursuant to the provisions of Sections  
21 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and  
22 408 of the Internal Revenue Code, or included in  
23 such total as distributions under the provisions of  
24 any retirement or disability plan for employees of  
25 any governmental agency or unit, or retirement  
26 payments to retired partners, which payments are  
27 excluded in computing net earnings from self  
28 employment by Section 1402 of the Internal Revenue  
29 Code and regulations adopted pursuant thereto;

30 (G) The valuation limitation amount;

31 (H) An amount equal to the amount of any tax  
32 imposed by this Act which was refunded to the  
33 taxpayer and included in such total for the taxable  
34 year;

1           (I) An amount equal to all amounts included in  
2 such total pursuant to the provisions of Section 111  
3 of the Internal Revenue Code as a recovery of items  
4 previously deducted from adjusted gross income in  
5 the computation of taxable income;

6           (J) An amount equal to those dividends  
7 included in such total which were paid by a  
8 corporation which conducts business operations in an  
9 Enterprise Zone or zones created under the Illinois  
10 Enterprise Zone Act, and conducts substantially all  
11 of its operations in an Enterprise Zone or zones;

12           (K) An amount equal to those dividends  
13 included in such total that were paid by a  
14 corporation that conducts business operations in a  
15 federally designated Foreign Trade Zone or Sub-Zone  
16 and that is designated a High Impact Business  
17 located in Illinois; provided that dividends  
18 eligible for the deduction provided in subparagraph  
19 (J) of paragraph (2) of this subsection shall not be  
20 eligible for the deduction provided under this  
21 subparagraph (K);

22           (L) For taxable years ending after December  
23 31, 1983, an amount equal to all social security  
24 benefits and railroad retirement benefits included  
25 in such total pursuant to Sections 72(r) and 86 of  
26 the Internal Revenue Code;

27           (M) With the exception of any amounts  
28 subtracted under subparagraph (N), an amount equal  
29 to the sum of all amounts disallowed as deductions  
30 by (i) Sections 171(a) (2), and 265(2) of the  
31 Internal Revenue Code of 1954, as now or hereafter  
32 amended, and all amounts of expenses allocable to  
33 interest and disallowed as deductions by Section  
34 265(1) of the Internal Revenue Code of 1954, as now

1 or hereafter amended; and (ii) for taxable years  
2 ending on or after August 13, 1999, Sections  
3 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
4 Internal Revenue Code; the provisions of this  
5 subparagraph are exempt from the provisions of  
6 Section 250;

7 (N) An amount equal to all amounts included in  
8 such total which are exempt from taxation by this  
9 State either by reason of its statutes or  
10 Constitution or by reason of the Constitution,  
11 treaties or statutes of the United States; provided  
12 that, in the case of any statute of this State that  
13 exempts income derived from bonds or other  
14 obligations from the tax imposed under this Act, the  
15 amount exempted shall be the interest net of bond  
16 premium amortization;

17 (O) An amount equal to any contribution made  
18 to a job training project established pursuant to  
19 the Tax Increment Allocation Redevelopment Act;

20 (P) An amount equal to the amount of the  
21 deduction used to compute the federal income tax  
22 credit for restoration of substantial amounts held  
23 under claim of right for the taxable year pursuant  
24 to Section 1341 of the Internal Revenue Code of  
25 1986;

26 (Q) An amount equal to any amounts included in  
27 such total, received by the taxpayer as an  
28 acceleration in the payment of life, endowment or  
29 annuity benefits in advance of the time they would  
30 otherwise be payable as an indemnity for a terminal  
31 illness;

32 (R) An amount equal to the amount of any  
33 federal or State bonus paid to veterans of the  
34 Persian Gulf War;

1           (S) An amount, to the extent included in  
2 adjusted gross income, equal to the amount of a  
3 contribution made in the taxable year on behalf of  
4 the taxpayer to a medical care savings account  
5 established under the Medical Care Savings Account  
6 Act or the Medical Care Savings Account Act of 2000  
7 to the extent the contribution is accepted by the  
8 account administrator as provided in that Act;

9           (T) An amount, to the extent included in  
10 adjusted gross income, equal to the amount of  
11 interest earned in the taxable year on a medical  
12 care savings account established under the Medical  
13 Care Savings Account Act or the Medical Care Savings  
14 Account Act of 2000 on behalf of the taxpayer, other  
15 than interest added pursuant to item (D-5) of this  
16 paragraph (2);

17           (U) For one taxable year beginning on or after  
18 January 1, 1994, an amount equal to the total amount  
19 of tax imposed and paid under subsections (a) and  
20 (b) of Section 201 of this Act on grant amounts  
21 received by the taxpayer under the Nursing Home  
22 Grant Assistance Act during the taxpayer's taxable  
23 years 1992 and 1993;

24           (V) Beginning with tax years ending on or  
25 after December 31, 1995 and ending with tax years  
26 ending on or before December 31, 2004, an amount  
27 equal to the amount paid by a taxpayer who is a  
28 self-employed taxpayer, a partner of a partnership,  
29 or a shareholder in a Subchapter S corporation for  
30 health insurance or long-term care insurance for  
31 that taxpayer or that taxpayer's spouse or  
32 dependents, to the extent that the amount paid for  
33 that health insurance or long-term care insurance  
34 may be deducted under Section 213 of the Internal

1 Revenue Code of 1986, has not been deducted on the  
2 federal income tax return of the taxpayer, and does  
3 not exceed the taxable income attributable to that  
4 taxpayer's income, self-employment income, or  
5 Subchapter S corporation income; except that no  
6 deduction shall be allowed under this item (V) if  
7 the taxpayer is eligible to participate in any  
8 health insurance or long-term care insurance plan of  
9 an employer of the taxpayer or the taxpayer's  
10 spouse. The amount of the health insurance and  
11 long-term care insurance subtracted under this item  
12 (V) shall be determined by multiplying total health  
13 insurance and long-term care insurance premiums paid  
14 by the taxpayer times a number that represents the  
15 fractional percentage of eligible medical expenses  
16 under Section 213 of the Internal Revenue Code of  
17 1986 not actually deducted on the taxpayer's federal  
18 income tax return;

19 (W) For taxable years beginning on or after  
20 January 1, 1998, all amounts included in the  
21 taxpayer's federal gross income in the taxable year  
22 from amounts converted from a regular IRA to a Roth  
23 IRA. This paragraph is exempt from the provisions of  
24 Section 250;

25 (X) For taxable year 1999 and thereafter, an  
26 amount equal to the amount of any (i) distributions,  
27 to the extent includible in gross income for federal  
28 income tax purposes, made to the taxpayer because of  
29 his or her status as a victim of persecution for  
30 racial or religious reasons by Nazi Germany or any  
31 other Axis regime or as an heir of the victim and  
32 (ii) items of income, to the extent includible in  
33 gross income for federal income tax purposes,  
34 attributable to, derived from or in any way related

1 to assets stolen from, hidden from, or otherwise  
2 lost to a victim of persecution for racial or  
3 religious reasons by Nazi Germany or any other Axis  
4 regime immediately prior to, during, and immediately  
5 after World War II, including, but not limited to,  
6 interest on the proceeds receivable as insurance  
7 under policies issued to a victim of persecution for  
8 racial or religious reasons by Nazi Germany or any  
9 other Axis regime by European insurance companies  
10 immediately prior to and during World War II;  
11 provided, however, this subtraction from federal  
12 adjusted gross income does not apply to assets  
13 acquired with such assets or with the proceeds from  
14 the sale of such assets; provided, further, this  
15 paragraph shall only apply to a taxpayer who was the  
16 first recipient of such assets after their recovery  
17 and who is a victim of persecution for racial or  
18 religious reasons by Nazi Germany or any other Axis  
19 regime or as an heir of the victim. The amount of  
20 and the eligibility for any public assistance,  
21 benefit, or similar entitlement is not affected by  
22 the inclusion of items (i) and (ii) of this  
23 paragraph in gross income for federal income tax  
24 purposes. This paragraph is exempt from the  
25 provisions of Section 250;

26 (Y) For taxable years beginning on or after  
27 January 1, 2002, moneys contributed in the taxable  
28 year to a College Savings Pool account under Section  
29 16.5 of the State Treasurer Act, except that amounts  
30 excluded from gross income under Section  
31 529(c)(3)(C)(i) of the Internal Revenue Code shall  
32 not be considered moneys contributed under this  
33 subparagraph (Y). This subparagraph (Y) is exempt  
34 from the provisions of Section 250;

1           (Z) For taxable years 2001 and thereafter, for  
2 the taxable year in which the bonus depreciation  
3 deduction (30% of the adjusted basis of the  
4 qualified property) is taken on the taxpayer's  
5 federal income tax return under subsection (k) of  
6 Section 168 of the Internal Revenue Code and for  
7 each applicable taxable year thereafter, an amount  
8 equal to "x", where:

9           (1) "y" equals the amount of the  
10 depreciation deduction taken for the taxable  
11 year on the taxpayer's federal income tax  
12 return on property for which the bonus  
13 depreciation deduction (30% of the adjusted  
14 basis of the qualified property) was taken in  
15 any year under subsection (k) of Section 168 of  
16 the Internal Revenue Code, but not including  
17 the bonus depreciation deduction; and

18           (2) "x" equals "y" multiplied by 30 and  
19 then divided by 70 (or "y" multiplied by  
20 0.429).

21           The aggregate amount deducted under this  
22 subparagraph in all taxable years for any one piece  
23 of property may not exceed the amount of the bonus  
24 depreciation deduction (30% of the adjusted basis of  
25 the qualified property) taken on that property on  
26 the taxpayer's federal income tax return under  
27 subsection (k) of Section 168 of the Internal  
28 Revenue Code; and

29           (AA) If the taxpayer reports a capital gain or  
30 loss on the taxpayer's federal income tax return for  
31 the taxable year based on a sale or transfer of  
32 property for which the taxpayer was required in any  
33 taxable year to make an addition modification under  
34 subparagraph (D-15), then an amount equal to that

1 addition modification.

2 The taxpayer is allowed to take the deduction  
3 under this subparagraph only once with respect to  
4 any one piece of property; and

5 ~~(BB)~~ ~~(Z)~~ Any amount included in adjusted gross  
6 income, other than salary, received by a driver in a  
7 ridesharing arrangement using a motor vehicle.

8 (b) Corporations.

9 (1) In general. In the case of a corporation, base  
10 income means an amount equal to the taxpayer's taxable  
11 income for the taxable year as modified by paragraph (2).

12 (2) Modifications. The taxable income referred to  
13 in paragraph (1) shall be modified by adding thereto the  
14 sum of the following amounts:

15 (A) An amount equal to all amounts paid or  
16 accrued to the taxpayer as interest and all  
17 distributions received from regulated investment  
18 companies during the taxable year to the extent  
19 excluded from gross income in the computation of  
20 taxable income;

21 (B) An amount equal to the amount of tax  
22 imposed by this Act to the extent deducted from  
23 gross income in the computation of taxable income  
24 for the taxable year;

25 (C) In the case of a regulated investment  
26 company, an amount equal to the excess of (i) the  
27 net ~~long-term~~ capital gain for the taxable year,  
28 over (ii) the amount of the capital gain dividends  
29 designated as such in accordance with Section  
30 852(b)(3)(C) of the Internal Revenue Code and any  
31 amount designated under Section 852(b)(3)(D) of the  
32 Internal Revenue Code, attributable to the taxable  
33 year (this amendatory Act of the 93rd General  
34 Assembly and 1995--~~(Public Act 89-89~~ are)--is

1 declarative of existing law and are is not a new  
2 enactments enactment);

3 (D) The amount of any net operating loss  
4 deduction taken in arriving at taxable income, other  
5 than a net operating loss carried forward from a  
6 taxable year ending prior to December 31, 1986;

7 (E) For taxable years in which a net operating  
8 loss carryback or carryforward from a taxable year  
9 ending prior to December 31, 1986 is an element of  
10 taxable income under paragraph (1) of subsection (e)  
11 or subparagraph (E) of paragraph (2) of subsection  
12 (e), the amount by which addition modifications  
13 other than those provided by this subparagraph (E)  
14 exceeded subtraction modifications in such earlier  
15 taxable year, with the following limitations applied  
16 in the order that they are listed:

17 (i) the addition modification relating to  
18 the net operating loss carried back or forward  
19 to the taxable year from any taxable year  
20 ending prior to December 31, 1986 shall be  
21 reduced by the amount of addition modification  
22 under this subparagraph (E) which related to  
23 that net operating loss and which was taken  
24 into account in calculating the base income of  
25 an earlier taxable year, and

26 (ii) the addition modification relating  
27 to the net operating loss carried back or  
28 forward to the taxable year from any taxable  
29 year ending prior to December 31, 1986 shall  
30 not exceed the amount of such carryback or  
31 carryforward;

32 For taxable years in which there is a net  
33 operating loss carryback or carryforward from more  
34 than one other taxable year ending prior to December

1 31, 1986, the addition modification provided in this  
2 subparagraph (E) shall be the sum of the amounts  
3 computed independently under the preceding  
4 provisions of this subparagraph (E) for each such  
5 taxable year;

6 (E-5) For taxable years ending after December  
7 31, 1997, an amount equal to any eligible  
8 remediation costs that the corporation deducted in  
9 computing adjusted gross income and for which the  
10 corporation claims a credit under subsection (l) of  
11 Section 201;

12 (E-10) For taxable years 2001 and thereafter,  
13 an amount equal to the bonus depreciation deduction  
14 (30% of the adjusted basis of the qualified  
15 property) taken on the taxpayer's federal income tax  
16 return for the taxable year under subsection (k) of  
17 Section 168 of the Internal Revenue Code; and

18 (E-11) If the taxpayer reports a capital gain  
19 or loss on the taxpayer's federal income tax return  
20 for the taxable year based on a sale or transfer of  
21 property for which the taxpayer was required in any  
22 taxable year to make an addition modification under  
23 subparagraph (E-10), then an amount equal to the  
24 aggregate amount of the deductions taken in all  
25 taxable years under subparagraph (T) with respect to  
26 that property;

27 The taxpayer is required to make the addition  
28 modification under this subparagraph only once with  
29 respect to any one piece of property;

30 and by deducting from the total so obtained the sum of  
31 the following amounts:

32 (F) An amount equal to the amount of any tax  
33 imposed by this Act which was refunded to the  
34 taxpayer and included in such total for the taxable

1 year;

2 (G) An amount equal to any amount included in  
3 such total under Section 78 of the Internal Revenue  
4 Code;

5 (H) In the case of a regulated investment  
6 company, an amount equal to the amount of exempt  
7 interest dividends as defined in subsection (b) (5)  
8 of Section 852 of the Internal Revenue Code, paid to  
9 shareholders for the taxable year;

10 (I) With the exception of any amounts  
11 subtracted under subparagraph (J), an amount equal  
12 to the sum of all amounts disallowed as deductions  
13 by (i) Sections 171(a) (2), and 265(a)(2) and  
14 amounts disallowed as interest expense by Section  
15 291(a)(3) of the Internal Revenue Code, as now or  
16 hereafter amended, and all amounts of expenses  
17 allocable to interest and disallowed as deductions  
18 by Section 265(a)(1) of the Internal Revenue Code,  
19 as now or hereafter amended; and (ii) for taxable  
20 years ending on or after August 13, 1999, Sections  
21 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)  
22 of the Internal Revenue Code; the provisions of this  
23 subparagraph are exempt from the provisions of  
24 Section 250;

25 (J) An amount equal to all amounts included in  
26 such total which are exempt from taxation by this  
27 State either by reason of its statutes or  
28 Constitution or by reason of the Constitution,  
29 treaties or statutes of the United States; provided  
30 that, in the case of any statute of this State that  
31 exempts income derived from bonds or other  
32 obligations from the tax imposed under this Act, the  
33 amount exempted shall be the interest net of bond  
34 premium amortization;

1           (K) An amount equal to those dividends  
2 included in such total which were paid by a  
3 corporation which conducts business operations in an  
4 Enterprise Zone or zones created under the Illinois  
5 Enterprise Zone Act and conducts substantially all  
6 of its operations in an Enterprise Zone or zones;

7           (L) An amount equal to those dividends  
8 included in such total that were paid by a  
9 corporation that conducts business operations in a  
10 federally designated Foreign Trade Zone or Sub-Zone  
11 and that is designated a High Impact Business  
12 located in Illinois; provided that dividends  
13 eligible for the deduction provided in subparagraph  
14 (K) of paragraph 2 of this subsection shall not be  
15 eligible for the deduction provided under this  
16 subparagraph (L);

17           (M) For any taxpayer that is a financial  
18 organization within the meaning of Section 304(c) of  
19 this Act, an amount included in such total as  
20 interest income from a loan or loans made by such  
21 taxpayer to a borrower, to the extent that such a  
22 loan is secured by property which is eligible for  
23 the Enterprise Zone Investment Credit. To determine  
24 the portion of a loan or loans that is secured by  
25 property eligible for a Section 201(f) investment  
26 credit to the borrower, the entire principal amount  
27 of the loan or loans between the taxpayer and the  
28 borrower should be divided into the basis of the  
29 Section 201(f) investment credit property which  
30 secures the loan or loans, using for this purpose  
31 the original basis of such property on the date that  
32 it was placed in service in the Enterprise Zone.  
33 The subtraction modification available to taxpayer  
34 in any year under this subsection shall be that

1 portion of the total interest paid by the borrower  
2 with respect to such loan attributable to the  
3 eligible property as calculated under the previous  
4 sentence;

5 (M-1) For any taxpayer that is a financial  
6 organization within the meaning of Section 304(c) of  
7 this Act, an amount included in such total as  
8 interest income from a loan or loans made by such  
9 taxpayer to a borrower, to the extent that such a  
10 loan is secured by property which is eligible for  
11 the High Impact Business Investment Credit. To  
12 determine the portion of a loan or loans that is  
13 secured by property eligible for a Section 201(h)  
14 investment credit to the borrower, the entire  
15 principal amount of the loan or loans between the  
16 taxpayer and the borrower should be divided into the  
17 basis of the Section 201(h) investment credit  
18 property which secures the loan or loans, using for  
19 this purpose the original basis of such property on  
20 the date that it was placed in service in a  
21 federally designated Foreign Trade Zone or Sub-Zone  
22 located in Illinois. No taxpayer that is eligible  
23 for the deduction provided in subparagraph (M) of  
24 paragraph (2) of this subsection shall be eligible  
25 for the deduction provided under this subparagraph  
26 (M-1). The subtraction modification available to  
27 taxpayers in any year under this subsection shall be  
28 that portion of the total interest paid by the  
29 borrower with respect to such loan attributable to  
30 the eligible property as calculated under the  
31 previous sentence;

32 (N) Two times any contribution made during the  
33 taxable year to a designated zone organization to  
34 the extent that the contribution (i) qualifies as a

1 charitable contribution under subsection (c) of  
2 Section 170 of the Internal Revenue Code and (ii)  
3 must, by its terms, be used for a project approved  
4 by the Department of Commerce and Community Affairs  
5 under Section 11 of the Illinois Enterprise Zone  
6 Act;

7 (O) An amount equal to: (i) 85% for taxable  
8 years ending on or before December 31, 1992, or, a  
9 percentage equal to the percentage allowable under  
10 Section 243(a)(1) of the Internal Revenue Code of  
11 1986 for taxable years ending after December 31,  
12 1992, of the amount by which dividends included in  
13 taxable income and received from a corporation that  
14 is not created or organized under the laws of the  
15 United States or any state or political subdivision  
16 thereof, including, for taxable years ending on or  
17 after December 31, 1988, dividends received or  
18 deemed received or paid or deemed paid under  
19 Sections 951 through 964 of the Internal Revenue  
20 Code, exceed the amount of the modification provided  
21 under subparagraph (G) of paragraph (2) of this  
22 subsection (b) which is related to such dividends;  
23 plus (ii) 100% of the amount by which dividends,  
24 included in taxable income and received, including,  
25 for taxable years ending on or after December 31,  
26 1988, dividends received or deemed received or paid  
27 or deemed paid under Sections 951 through 964 of the  
28 Internal Revenue Code, from any such corporation  
29 specified in clause (i) that would but for the  
30 provisions of Section 1504 (b) (3) of the Internal  
31 Revenue Code be treated as a member of the  
32 affiliated group which includes the dividend  
33 recipient, exceed the amount of the modification  
34 provided under subparagraph (G) of paragraph (2) of

1 this subsection (b) which is related to such  
2 dividends;

3 (P) An amount equal to any contribution made  
4 to a job training project established pursuant to  
5 the Tax Increment Allocation Redevelopment Act;

6 (Q) An amount equal to the amount of the  
7 deduction used to compute the federal income tax  
8 credit for restoration of substantial amounts held  
9 under claim of right for the taxable year pursuant  
10 to Section 1341 of the Internal Revenue Code of  
11 1986;

12 (R) In the case of an attorney-in-fact with  
13 respect to whom an interinsurer or a reciprocal  
14 insurer has made the election under Section 835 of  
15 the Internal Revenue Code, 26 U.S.C. 835, an amount  
16 equal to the excess, if any, of the amounts paid or  
17 incurred by that interinsurer or reciprocal insurer  
18 in the taxable year to the attorney-in-fact over the  
19 deduction allowed to that interinsurer or reciprocal  
20 insurer with respect to the attorney-in-fact under  
21 Section 835(b) of the Internal Revenue Code for the  
22 taxable year;

23 (S) For taxable years ending on or after  
24 December 31, 1997, in the case of a Subchapter S  
25 corporation, an amount equal to all amounts of  
26 income allocable to a shareholder subject to the  
27 Personal Property Tax Replacement Income Tax imposed  
28 by subsections (c) and (d) of Section 201 of this  
29 Act, including amounts allocable to organizations  
30 exempt from federal income tax by reason of Section  
31 501(a) of the Internal Revenue Code. This  
32 subparagraph (S) is exempt from the provisions of  
33 Section 250;

34 (T) For taxable years 2001 and thereafter, for

1 the taxable year in which the bonus depreciation  
2 deduction (30% of the adjusted basis of the  
3 qualified property) is taken on the taxpayer's  
4 federal income tax return under subsection (k) of  
5 Section 168 of the Internal Revenue Code and for  
6 each applicable taxable year thereafter, an amount  
7 equal to "x", where:

8 (1) "y" equals the amount of the  
9 depreciation deduction taken for the taxable  
10 year on the taxpayer's federal income tax  
11 return on property for which the bonus  
12 depreciation deduction (30% of the adjusted  
13 basis of the qualified property) was taken in  
14 any year under subsection (k) of Section 168 of  
15 the Internal Revenue Code, but not including  
16 the bonus depreciation deduction; and

17 (2) "x" equals "y" multiplied by 30 and  
18 then divided by 70 (or "y" multiplied by  
19 0.429).

20 The aggregate amount deducted under this  
21 subparagraph in all taxable years for any one piece  
22 of property may not exceed the amount of the bonus  
23 depreciation deduction (30% of the adjusted basis of  
24 the qualified property) taken on that property on  
25 the taxpayer's federal income tax return under  
26 subsection (k) of Section 168 of the Internal  
27 Revenue Code; and

28 (U) If the taxpayer reports a capital gain or  
29 loss on the taxpayer's federal income tax return for  
30 the taxable year based on a sale or transfer of  
31 property for which the taxpayer was required in any  
32 taxable year to make an addition modification under  
33 subparagraph (E-10), then an amount equal to that  
34 addition modification.

1           The taxpayer is allowed to take the deduction  
2           under this subparagraph only once with respect to  
3           any one piece of property.

4           (3) Special rule. For purposes of paragraph (2)  
5           (A), "gross income" in the case of a life insurance  
6           company, for tax years ending on and after December 31,  
7           1994, shall mean the gross investment income for the  
8           taxable year.

9           (c) Trusts and estates.

10           (1) In general. In the case of a trust or estate,  
11           base income means an amount equal to the taxpayer's  
12           taxable income for the taxable year as modified by  
13           paragraph (2).

14           (2) Modifications. Subject to the provisions of  
15           paragraph (3), the taxable income referred to in  
16           paragraph (1) shall be modified by adding thereto the sum  
17           of the following amounts:

18           (A) An amount equal to all amounts paid or  
19           accrued to the taxpayer as interest or dividends  
20           during the taxable year to the extent excluded from  
21           gross income in the computation of taxable income;

22           (B) In the case of (i) an estate, \$600; (ii) a  
23           trust which, under its governing instrument, is  
24           required to distribute all of its income currently,  
25           \$300; and (iii) any other trust, \$100, but in each  
26           such case, only to the extent such amount was  
27           deducted in the computation of taxable income;

28           (C) An amount equal to the amount of tax  
29           imposed by this Act to the extent deducted from  
30           gross income in the computation of taxable income  
31           for the taxable year;

32           (D) The amount of any net operating loss  
33           deduction taken in arriving at taxable income, other  
34           than a net operating loss carried forward from a

1 taxable year ending prior to December 31, 1986;

2 (E) For taxable years in which a net operating  
3 loss carryback or carryforward from a taxable year  
4 ending prior to December 31, 1986 is an element of  
5 taxable income under paragraph (1) of subsection (e)  
6 or subparagraph (E) of paragraph (2) of subsection  
7 (e), the amount by which addition modifications  
8 other than those provided by this subparagraph (E)  
9 exceeded subtraction modifications in such taxable  
10 year, with the following limitations applied in the  
11 order that they are listed:

12 (i) the addition modification relating to  
13 the net operating loss carried back or forward  
14 to the taxable year from any taxable year  
15 ending prior to December 31, 1986 shall be  
16 reduced by the amount of addition modification  
17 under this subparagraph (E) which related to  
18 that net operating loss and which was taken  
19 into account in calculating the base income of  
20 an earlier taxable year, and

21 (ii) the addition modification relating  
22 to the net operating loss carried back or  
23 forward to the taxable year from any taxable  
24 year ending prior to December 31, 1986 shall  
25 not exceed the amount of such carryback or  
26 carryforward;

27 For taxable years in which there is a net  
28 operating loss carryback or carryforward from more  
29 than one other taxable year ending prior to December  
30 31, 1986, the addition modification provided in this  
31 subparagraph (E) shall be the sum of the amounts  
32 computed independently under the preceding  
33 provisions of this subparagraph (E) for each such  
34 taxable year;

1           (F) For taxable years ending on or after  
2           January 1, 1989, an amount equal to the tax deducted  
3           pursuant to Section 164 of the Internal Revenue Code  
4           if the trust or estate is claiming the same tax for  
5           purposes of the Illinois foreign tax credit under  
6           Section 601 of this Act;

7           (G) An amount equal to the amount of the  
8           capital gain deduction allowable under the Internal  
9           Revenue Code, to the extent deducted from gross  
10          income in the computation of taxable income;

11          (G-5) For taxable years ending after December  
12          31, 1997, an amount equal to any eligible  
13          remediation costs that the trust or estate deducted  
14          in computing adjusted gross income and for which the  
15          trust or estate claims a credit under subsection (l)  
16          of Section 201;

17          (G-10) For taxable years 2001 and thereafter,  
18          an amount equal to the bonus depreciation deduction  
19          (30% of the adjusted basis of the qualified  
20          property) taken on the taxpayer's federal income tax  
21          return for the taxable year under subsection (k) of  
22          Section 168 of the Internal Revenue Code; and

23          (G-11) If the taxpayer reports a capital gain  
24          or loss on the taxpayer's federal income tax return  
25          for the taxable year based on a sale or transfer of  
26          property for which the taxpayer was required in any  
27          taxable year to make an addition modification under  
28          subparagraph (G-10), then an amount equal to the  
29          aggregate amount of the deductions taken in all  
30          taxable years under subparagraph (R) with respect to  
31          that property.†

32          The taxpayer is required to make the addition  
33          modification under this subparagraph only once with  
34          respect to any one piece of property;

1 and by deducting from the total so obtained the sum of  
2 the following amounts:

3 (H) An amount equal to all amounts included in  
4 such total pursuant to the provisions of Sections  
5 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and  
6 408 of the Internal Revenue Code or included in such  
7 total as distributions under the provisions of any  
8 retirement or disability plan for employees of any  
9 governmental agency or unit, or retirement payments  
10 to retired partners, which payments are excluded in  
11 computing net earnings from self employment by  
12 Section 1402 of the Internal Revenue Code and  
13 regulations adopted pursuant thereto;

14 (I) The valuation limitation amount;

15 (J) An amount equal to the amount of any tax  
16 imposed by this Act which was refunded to the  
17 taxpayer and included in such total for the taxable  
18 year;

19 (K) An amount equal to all amounts included in  
20 taxable income as modified by subparagraphs (A),  
21 (B), (C), (D), (E), (F) and (G) which are exempt  
22 from taxation by this State either by reason of its  
23 statutes or Constitution or by reason of the  
24 Constitution, treaties or statutes of the United  
25 States; provided that, in the case of any statute of  
26 this State that exempts income derived from bonds or  
27 other obligations from the tax imposed under this  
28 Act, the amount exempted shall be the interest net  
29 of bond premium amortization;

30 (L) With the exception of any amounts  
31 subtracted under subparagraph (K), an amount equal  
32 to the sum of all amounts disallowed as deductions  
33 by (i) Sections 171(a) (2) and 265(a)(2) of the  
34 Internal Revenue Code, as now or hereafter amended,

1 and all amounts of expenses allocable to interest  
2 and disallowed as deductions by Section 265(1) of  
3 the Internal Revenue Code of 1954, as now or  
4 hereafter amended; and (ii) for taxable years ending  
5 on or after August 13, 1999, Sections 171(a)(2),  
6 265, 280C, and 832(b)(5)(B)(i) of the Internal  
7 Revenue Code; the provisions of this subparagraph  
8 are exempt from the provisions of Section 250;

9 (M) An amount equal to those dividends  
10 included in such total which were paid by a  
11 corporation which conducts business operations in an  
12 Enterprise Zone or zones created under the Illinois  
13 Enterprise Zone Act and conducts substantially all  
14 of its operations in an Enterprise Zone or Zones;

15 (N) An amount equal to any contribution made  
16 to a job training project established pursuant to  
17 the Tax Increment Allocation Redevelopment Act;

18 (O) An amount equal to those dividends  
19 included in such total that were paid by a  
20 corporation that conducts business operations in a  
21 federally designated Foreign Trade Zone or Sub-Zone  
22 and that is designated a High Impact Business  
23 located in Illinois; provided that dividends  
24 eligible for the deduction provided in subparagraph  
25 (M) of paragraph (2) of this subsection shall not be  
26 eligible for the deduction provided under this  
27 subparagraph (O);

28 (P) An amount equal to the amount of the  
29 deduction used to compute the federal income tax  
30 credit for restoration of substantial amounts held  
31 under claim of right for the taxable year pursuant  
32 to Section 1341 of the Internal Revenue Code of  
33 1986;

34 (Q) For taxable year 1999 and thereafter, an

1 amount equal to the amount of any (i) distributions,  
2 to the extent includible in gross income for federal  
3 income tax purposes, made to the taxpayer because of  
4 his or her status as a victim of persecution for  
5 racial or religious reasons by Nazi Germany or any  
6 other Axis regime or as an heir of the victim and  
7 (ii) items of income, to the extent includible in  
8 gross income for federal income tax purposes,  
9 attributable to, derived from or in any way related  
10 to assets stolen from, hidden from, or otherwise  
11 lost to a victim of persecution for racial or  
12 religious reasons by Nazi Germany or any other Axis  
13 regime immediately prior to, during, and immediately  
14 after World War II, including, but not limited to,  
15 interest on the proceeds receivable as insurance  
16 under policies issued to a victim of persecution for  
17 racial or religious reasons by Nazi Germany or any  
18 other Axis regime by European insurance companies  
19 immediately prior to and during World War II;  
20 provided, however, this subtraction from federal  
21 adjusted gross income does not apply to assets  
22 acquired with such assets or with the proceeds from  
23 the sale of such assets; provided, further, this  
24 paragraph shall only apply to a taxpayer who was the  
25 first recipient of such assets after their recovery  
26 and who is a victim of persecution for racial or  
27 religious reasons by Nazi Germany or any other Axis  
28 regime or as an heir of the victim. The amount of  
29 and the eligibility for any public assistance,  
30 benefit, or similar entitlement is not affected by  
31 the inclusion of items (i) and (ii) of this  
32 paragraph in gross income for federal income tax  
33 purposes. This paragraph is exempt from the  
34 provisions of Section 250;

1           (R) For taxable years 2001 and thereafter, for  
2 the taxable year in which the bonus depreciation  
3 deduction (30% of the adjusted basis of the  
4 qualified property) is taken on the taxpayer's  
5 federal income tax return under subsection (k) of  
6 Section 168 of the Internal Revenue Code and for  
7 each applicable taxable year thereafter, an amount  
8 equal to "x", where:

9           (1) "y" equals the amount of the  
10 depreciation deduction taken for the taxable  
11 year on the taxpayer's federal income tax  
12 return on property for which the bonus  
13 depreciation deduction (30% of the adjusted  
14 basis of the qualified property) was taken in  
15 any year under subsection (k) of Section 168 of  
16 the Internal Revenue Code, but not including  
17 the bonus depreciation deduction; and

18           (2) "x" equals "y" multiplied by 30 and  
19 then divided by 70 (or "y" multiplied by  
20 0.429).

21           The aggregate amount deducted under this  
22 subparagraph in all taxable years for any one piece  
23 of property may not exceed the amount of the bonus  
24 depreciation deduction (30% of the adjusted basis of  
25 the qualified property) taken on that property on  
26 the taxpayer's federal income tax return under  
27 subsection (k) of Section 168 of the Internal  
28 Revenue Code; and

29           (S) If the taxpayer reports a capital gain or  
30 loss on the taxpayer's federal income tax return for  
31 the taxable year based on a sale or transfer of  
32 property for which the taxpayer was required in any  
33 taxable year to make an addition modification under  
34 subparagraph (G-10), then an amount equal to that

1 addition modification.

2 The taxpayer is allowed to take the deduction  
3 under this subparagraph only once with respect to  
4 any one piece of property.

5 (3) Limitation. The amount of any modification  
6 otherwise required under this subsection shall, under  
7 regulations prescribed by the Department, be adjusted by  
8 any amounts included therein which were properly paid,  
9 credited, or required to be distributed, or permanently  
10 set aside for charitable purposes pursuant to Internal  
11 Revenue Code Section 642(c) during the taxable year.

12 (d) Partnerships.

13 (1) In general. In the case of a partnership, base  
14 income means an amount equal to the taxpayer's taxable  
15 income for the taxable year as modified by paragraph (2).

16 (2) Modifications. The taxable income referred to  
17 in paragraph (1) shall be modified by adding thereto the  
18 sum of the following amounts:

19 (A) An amount equal to all amounts paid or  
20 accrued to the taxpayer as interest or dividends  
21 during the taxable year to the extent excluded from  
22 gross income in the computation of taxable income;

23 (B) An amount equal to the amount of tax  
24 imposed by this Act to the extent deducted from  
25 gross income for the taxable year;

26 (C) The amount of deductions allowed to the  
27 partnership pursuant to Section 707 (c) of the  
28 Internal Revenue Code in calculating its taxable  
29 income;

30 (D) An amount equal to the amount of the  
31 capital gain deduction allowable under the Internal  
32 Revenue Code, to the extent deducted from gross  
33 income in the computation of taxable income;

34 (D-5) For taxable years 2001 and thereafter,

1 an amount equal to the bonus depreciation deduction  
2 (30% of the adjusted basis of the qualified  
3 property) taken on the taxpayer's federal income tax  
4 return for the taxable year under subsection (k) of  
5 Section 168 of the Internal Revenue Code; and

6 (D-6) If the taxpayer reports a capital gain  
7 or loss on the taxpayer's federal income tax return  
8 for the taxable year based on a sale or transfer of  
9 property for which the taxpayer was required in any  
10 taxable year to make an addition modification under  
11 subparagraph (D-5), then an amount equal to the  
12 aggregate amount of the deductions taken in all  
13 taxable years under subparagraph (O) with respect to  
14 that property.†

15 The taxpayer is required to make the addition  
16 modification under this subparagraph only once with  
17 respect to any one piece of property;

18 and by deducting from the total so obtained the following  
19 amounts:

20 (E) The valuation limitation amount;

21 (F) An amount equal to the amount of any tax  
22 imposed by this Act which was refunded to the  
23 taxpayer and included in such total for the taxable  
24 year;

25 (G) An amount equal to all amounts included in  
26 taxable income as modified by subparagraphs (A),  
27 (B), (C) and (D) which are exempt from taxation by  
28 this State either by reason of its statutes or  
29 Constitution or by reason of the Constitution,  
30 treaties or statutes of the United States; provided  
31 that, in the case of any statute of this State that  
32 exempts income derived from bonds or other  
33 obligations from the tax imposed under this Act, the  
34 amount exempted shall be the interest net of bond

1 premium amortization;

2 (H) Any income of the partnership which  
3 constitutes personal service income as defined in  
4 Section 1348 (b) (1) of the Internal Revenue Code  
5 (as in effect December 31, 1981) or a reasonable  
6 allowance for compensation paid or accrued for  
7 services rendered by partners to the partnership,  
8 whichever is greater;

9 (I) An amount equal to all amounts of income  
10 distributable to an entity subject to the Personal  
11 Property Tax Replacement Income Tax imposed by  
12 subsections (c) and (d) of Section 201 of this Act  
13 including amounts distributable to organizations  
14 exempt from federal income tax by reason of Section  
15 501(a) of the Internal Revenue Code;

16 (J) With the exception of any amounts  
17 subtracted under subparagraph (G), an amount equal  
18 to the sum of all amounts disallowed as deductions  
19 by (i) Sections 171(a) (2), and 265(2) of the  
20 Internal Revenue Code of 1954, as now or hereafter  
21 amended, and all amounts of expenses allocable to  
22 interest and disallowed as deductions by Section  
23 265(1) of the Internal Revenue Code, as now or  
24 hereafter amended; and (ii) for taxable years ending  
25 on or after August 13, 1999, Sections 171(a)(2),  
26 265, 280C, and 832(b)(5)(B)(i) of the Internal  
27 Revenue Code; the provisions of this subparagraph  
28 are exempt from the provisions of Section 250;

29 (K) An amount equal to those dividends  
30 included in such total which were paid by a  
31 corporation which conducts business operations in an  
32 Enterprise Zone or zones created under the Illinois  
33 Enterprise Zone Act, enacted by the 82nd General  
34 Assembly, and conducts substantially all of its

1 operations in an Enterprise Zone or Zones;

2 (L) An amount equal to any contribution made  
3 to a job training project established pursuant to  
4 the Real Property Tax Increment Allocation  
5 Redevelopment Act;

6 (M) An amount equal to those dividends  
7 included in such total that were paid by a  
8 corporation that conducts business operations in a  
9 federally designated Foreign Trade Zone or Sub-Zone  
10 and that is designated a High Impact Business  
11 located in Illinois; provided that dividends  
12 eligible for the deduction provided in subparagraph  
13 (K) of paragraph (2) of this subsection shall not be  
14 eligible for the deduction provided under this  
15 subparagraph (M);

16 (N) An amount equal to the amount of the  
17 deduction used to compute the federal income tax  
18 credit for restoration of substantial amounts held  
19 under claim of right for the taxable year pursuant  
20 to Section 1341 of the Internal Revenue Code of  
21 1986;

22 (O) For taxable years 2001 and thereafter, for  
23 the taxable year in which the bonus depreciation  
24 deduction (30% of the adjusted basis of the  
25 qualified property) is taken on the taxpayer's  
26 federal income tax return under subsection (k) of  
27 Section 168 of the Internal Revenue Code and for  
28 each applicable taxable year thereafter, an amount  
29 equal to "x", where:

30 (1) "y" equals the amount of the  
31 depreciation deduction taken for the taxable  
32 year on the taxpayer's federal income tax  
33 return on property for which the bonus  
34 depreciation deduction (30% of the adjusted

1 basis of the qualified property) was taken in  
2 any year under subsection (k) of Section 168 of  
3 the Internal Revenue Code, but not including  
4 the bonus depreciation deduction; and

5 (2) "x" equals "y" multiplied by 30 and  
6 then divided by 70 (or "y" multiplied by  
7 0.429).

8 The aggregate amount deducted under this  
9 subparagraph in all taxable years for any one piece  
10 of property may not exceed the amount of the bonus  
11 depreciation deduction (30% of the adjusted basis of  
12 the qualified property) taken on that property on  
13 the taxpayer's federal income tax return under  
14 subsection (k) of Section 168 of the Internal  
15 Revenue Code; and

16 (P) If the taxpayer reports a capital gain or  
17 loss on the taxpayer's federal income tax return for  
18 the taxable year based on a sale or transfer of  
19 property for which the taxpayer was required in any  
20 taxable year to make an addition modification under  
21 subparagraph (D-5), then an amount equal to that  
22 addition modification.

23 The taxpayer is allowed to take the deduction  
24 under this subparagraph only once with respect to  
25 any one piece of property.

26 (e) Gross income; adjusted gross income; taxable income.

27 (1) In general. Subject to the provisions of  
28 paragraph (2) and subsection (b) (3), for purposes of  
29 this Section and Section 803(e), a taxpayer's gross  
30 income, adjusted gross income, or taxable income for the  
31 taxable year shall mean the amount of gross income,  
32 adjusted gross income or taxable income properly  
33 reportable for federal income tax purposes for the  
34 taxable year under the provisions of the Internal Revenue

1 Code. Taxable income may be less than zero. However, for  
2 taxable years ending on or after December 31, 1986, net  
3 operating loss carryforwards from taxable years ending  
4 prior to December 31, 1986, may not exceed the sum of  
5 federal taxable income for the taxable year before net  
6 operating loss deduction, plus the excess of addition  
7 modifications over subtraction modifications for the  
8 taxable year. For taxable years ending prior to December  
9 31, 1986, taxable income may never be an amount in excess  
10 of the net operating loss for the taxable year as defined  
11 in subsections (c) and (d) of Section 172 of the Internal  
12 Revenue Code, provided that when taxable income of a  
13 corporation (other than a Subchapter S corporation),  
14 trust, or estate is less than zero and addition  
15 modifications, other than those provided by subparagraph  
16 (E) of paragraph (2) of subsection (b) for corporations  
17 or subparagraph (E) of paragraph (2) of subsection (c)  
18 for trusts and estates, exceed subtraction modifications,  
19 an addition modification must be made under those  
20 subparagraphs for any other taxable year to which the  
21 taxable income less than zero (net operating loss) is  
22 applied under Section 172 of the Internal Revenue Code or  
23 under subparagraph (E) of paragraph (2) of this  
24 subsection (e) applied in conjunction with Section 172 of  
25 the Internal Revenue Code.

26 (2) Special rule. For purposes of paragraph (1) of  
27 this subsection, the taxable income properly reportable  
28 for federal income tax purposes shall mean:

29 (A) Certain life insurance companies. In the  
30 case of a life insurance company subject to the tax  
31 imposed by Section 801 of the Internal Revenue Code,  
32 life insurance company taxable income, plus the  
33 amount of distribution from pre-1984 policyholder  
34 surplus accounts as calculated under Section 815a of

1 the Internal Revenue Code;

2 (B) Certain other insurance companies. In the  
3 case of mutual insurance companies subject to the  
4 tax imposed by Section 831 of the Internal Revenue  
5 Code, insurance company taxable income;

6 (C) Regulated investment companies. In the  
7 case of a regulated investment company subject to  
8 the tax imposed by Section 852 of the Internal  
9 Revenue Code, investment company taxable income;

10 (D) Real estate investment trusts. In the  
11 case of a real estate investment trust subject to  
12 the tax imposed by Section 857 of the Internal  
13 Revenue Code, real estate investment trust taxable  
14 income;

15 (E) Consolidated corporations. In the case of  
16 a corporation which is a member of an affiliated  
17 group of corporations filing a consolidated income  
18 tax return for the taxable year for federal income  
19 tax purposes, taxable income determined as if such  
20 corporation had filed a separate return for federal  
21 income tax purposes for the taxable year and each  
22 preceding taxable year for which it was a member of  
23 an affiliated group. For purposes of this  
24 subparagraph, the taxpayer's separate taxable income  
25 shall be determined as if the election provided by  
26 Section 243(b) (2) of the Internal Revenue Code had  
27 been in effect for all such years;

28 (F) Cooperatives. In the case of a  
29 cooperative corporation or association, the taxable  
30 income of such organization determined in accordance  
31 with the provisions of Section 1381 through 1388 of  
32 the Internal Revenue Code;

33 (G) Subchapter S corporations. In the case  
34 of: (i) a Subchapter S corporation for which there

1 is in effect an election for the taxable year under  
2 Section 1362 of the Internal Revenue Code, the  
3 taxable income of such corporation determined in  
4 accordance with Section 1363(b) of the Internal  
5 Revenue Code, except that taxable income shall take  
6 into account those items which are required by  
7 Section 1363(b)(1) of the Internal Revenue Code to  
8 be separately stated; and (ii) a Subchapter S  
9 corporation for which there is in effect a federal  
10 election to opt out of the provisions of the  
11 Subchapter S Revision Act of 1982 and have applied  
12 instead the prior federal Subchapter S rules as in  
13 effect on July 1, 1982, the taxable income of such  
14 corporation determined in accordance with the  
15 federal Subchapter S rules as in effect on July 1,  
16 1982; and

17 (H) Partnerships. In the case of a  
18 partnership, taxable income determined in accordance  
19 with Section 703 of the Internal Revenue Code,  
20 except that taxable income shall take into account  
21 those items which are required by Section 703(a)(1)  
22 to be separately stated but which would be taken  
23 into account by an individual in calculating his  
24 taxable income.

25 (f) Valuation limitation amount.

26 (1) In general. The valuation limitation amount  
27 referred to in subsections (a) (2) (G), (c) (2) (I) and  
28 (d)(2) (E) is an amount equal to:

29 (A) The sum of the pre-August 1, 1969  
30 appreciation amounts (to the extent consisting of  
31 gain reportable under the provisions of Section 1245  
32 or 1250 of the Internal Revenue Code) for all  
33 property in respect of which such gain was reported  
34 for the taxable year; plus

1           (B) The lesser of (i) the sum of the  
2 pre-August 1, 1969 appreciation amounts (to the  
3 extent consisting of capital gain) for all property  
4 in respect of which such gain was reported for  
5 federal income tax purposes for the taxable year, or  
6 (ii) the net capital gain for the taxable year,  
7 reduced in either case by any amount of such gain  
8 included in the amount determined under subsection  
9 (a) (2) (F) or (c) (2) (H).

10           (2) Pre-August 1, 1969 appreciation amount.

11           (A) If the fair market value of property  
12 referred to in paragraph (1) was readily  
13 ascertainable on August 1, 1969, the pre-August 1,  
14 1969 appreciation amount for such property is the  
15 lesser of (i) the excess of such fair market value  
16 over the taxpayer's basis (for determining gain) for  
17 such property on that date (determined under the  
18 Internal Revenue Code as in effect on that date), or  
19 (ii) the total gain realized and reportable for  
20 federal income tax purposes in respect of the sale,  
21 exchange or other disposition of such property.

22           (B) If the fair market value of property  
23 referred to in paragraph (1) was not readily  
24 ascertainable on August 1, 1969, the pre-August 1,  
25 1969 appreciation amount for such property is that  
26 amount which bears the same ratio to the total gain  
27 reported in respect of the property for federal  
28 income tax purposes for the taxable year, as the  
29 number of full calendar months in that part of the  
30 taxpayer's holding period for the property ending  
31 July 31, 1969 bears to the number of full calendar  
32 months in the taxpayer's entire holding period for  
33 the property.

34           (C) The Department shall prescribe such

1 regulations as may be necessary to carry out the  
2 purposes of this paragraph.

3 (g) Double deductions. Unless specifically provided  
4 otherwise, nothing in this Section shall permit the same item  
5 to be deducted more than once.

6 (h) Legislative intention. Except as expressly provided  
7 by this Section there shall be no modifications or  
8 limitations on the amounts of income, gain, loss or deduction  
9 taken into account in determining gross income, adjusted  
10 gross income or taxable income for federal income tax  
11 purposes for the taxable year, or in the amount of such items  
12 entering into the computation of base income and net income  
13 under this Act for such taxable year, whether in respect of  
14 property values as of August 1, 1969 or otherwise.

15 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
16 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.  
17 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,  
18 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
19 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.  
20 7-11-02; 92-846, eff. 8-23-02; revised 11-15-02.)

21 Section 99. Effective date. This Act takes effect upon  
22 becoming law.